

**GOVERNMENT OF INDIA  
FINANCE  
LOK SABHA**

UNSTARRED QUESTION NO:2538  
ANSWERED ON:18.03.2005  
EXCISE DUTY ON MRP OF DRUGS  
Madhwaraj Smt. Manorama

**Will the Minister of FINANCE be pleased to state:**

- (a) whether the Government has announced imposition of excise duty on the maximum retail price (MRP) of drugs/medicines with an abatement of 35 per cent;
- (b) whether the Government had, in the process, factored in the post-production expenses of the pharma companies, most of whom are in small/medium sector; and
- (c) whether this change-over from excise on transfer price to excise on MRP would entail re-packaging/re-marking of revised prices on the stocks lying in the factories /warehouses as required under the Drug Price Control Order regulations?

**Answer**

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S.PALANIMANICKAM)

- (a) The Government had notified retail price based assessment of excise duty with a 35% abatement from retail price with effect from 8.1.2005. Subsequently, in view of representations from the pharmaceutical industry and the recommendations of the Department of Chemicals and Petrochemicals, the level of abatement has been increased from 35% to 40% with effect from 23.2.2005.
- (b) Government had taken all material facts into account.
- (c) As long as retail price declared remains unchanged, the change in the method of determination of assessable value would not warrant any such activities.